



J. TYLER McCAULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

September 21, 2006

TO: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **MEXICAN AMERICAN OPPORTUNITY FOUNDATION CONTRACT -
WORKFORCE INVESTMENT ACT PROGRAMS**

We have conducted a program, fiscal and administrative contract review of Mexican American Opportunity Foundation (MAOF or Agency), a Workforce Investment Act (WIA) Program service provider.

Background

The Department of Community and Senior Services (DCSS) contracts with MAOF, a private non-profit organization, to provide and operate the WIA youth and foster youth special needs programs. The WIA youth program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. WIA foster youth special needs program is a comprehensive training and employment program for foster youths who are pregnant or parenting, and foster youths in need of work experience. MAOF's office is located in the First District.

MAOF is compensated on a cost reimbursement basis. For fiscal year (FY) 2004-2005, DCSS paid MAOF \$71,775, and for FY 2005-2006 MAOF's contract was for \$183,516.

Purpose/Methodology

The purpose of the review was to determine whether MAOF complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to eligible youth participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State, and County guidelines.

"To Enrich Lives Through Effective and Caring Service"

Results of Review

The program participants/guardians interviewed stated that the services the participants received met their expectations. Generally, MAOF maintained adequate controls to ensure that their expenditures were allowable.

MAOF did not maintain appropriate documentation for six (30%) of the 20 participants sampled to support their eligibility to receive program services. The amount billed to DCSS for wages paid to one ineligible participant totaled \$729. In addition, MAOF did not accurately report program activities for five (25%) of the 20 participants on the Job Training Automation (JTA) system as required. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.

MAOF also has not reconciled their bank account since May 2005 or maintained a procurement or record retention policy in compliance with WIA guidelines.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with MAOF on August 10, 2006. In their attached response, MAOF concurred with our findings and recommendations. We also notified DCSS of the results of our review. We will follow-up our recommendations during next year's monitoring review.

We thank MAOF for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: David E. Janssen, Chief Administrative Officer
Cynthia Banks, Director, Department of Community and Senior Services
Martin Castro, President and CEO, Mexican American Opportunity Foundation
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
MEXICAN AMERICAN OPPORTUNITY FOUNDATION
FISCAL YEAR 2005-06**

ELIGIBILITY

Objective

Determine whether Mexican American Opportunity Foundation (MAOF or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We judgmentally sampled 20 (54%) program participants (10 from the youth program and 10 from foster youth special needs program) from a total of 37 participants that received services between July 2005 and February 2006 and reviewed their case files for documentation to confirm their eligibility for WIA program services.

Results

MAOF did not maintain appropriate documentation for six (30%) of the 20 participants to support the participants' eligibility to receive program services. Specifically, MAOF did not obtain proof of income and/or the participants were not residents of the contract service area. The amount billed to the Department of Community and Senior Services (DCSS) for wages paid to one ineligible participant between 2005 and February 2006 totaled \$729. MAOF did not bill DCSS direct costs for the remaining five ineligible participants during the audit period.

Subsequent to our review, MAOF provided the appropriate documentation to support the eligibility of two of the six participants.

Recommendations

MAOF management:

- 1. Repay DCSS \$729.**
- 2. Ensure that staff obtain appropriate documentation from the participants to determine the participants' eligibility for program services prior to enrollment as required.**

BILLED SERVICES/CLIENT VERIFICATION**Objective**

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the program participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 20 (54%) program participants that received services during July 2005 through February 2006. We also interviewed 14 program participants/guardians.

Results

The 14 participants/guardians interviewed stated that the services the participants received met their expectations. However, for 18 (90%) of the 20 participants sampled, MAOF did not document their discussion with the participants regarding the relationship between long-term career goals and the service plan as required. In addition, MAOF did not discuss the Individual Service Strategy (ISS) plan with the participants on a monthly basis as required by WIA guidelines for one (5%) of the 20 youth participants.

MAOF also did not report the program activities, such as supportive services and completion of leadership training activity for four (20%) of the 20 participants on the Job Training Automation (JTA) system as required. In addition, MAOF did not accurately report one participant's activity on the JTA system. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.

Recommendations**MAOF management:**

- 3. Ensure that staff discuss the relationship between long-term career goals and the service plan with the participants during assessment.**
- 4. Ensure that staff discuss the ISS plans with the participants on a monthly basis.**
- 5. Ensure that staff accurately update the JTA system to reflect the participants' program activities.**

CASH/REVENUE**Objective**

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's bank reconciliations.

Results

MAOF maintains one checking account for all their programs and properly recorded their cash and revenue by funding sources in their accounting records. However, MAOF had not reconciled their bank account since May 2005. In addition, their May 2005 bank reconciliation listed approximately 1400 outstanding checks, totaling \$944,770, which had not been resolved as of March 2006. The County contract requires that monthly bank reconciliations be prepared within 30 days of the bank statement date and reviewed by management for appropriateness and accuracy. In addition, reconciling items should be resolved timely and unclaimed checks cancelled periodically.

Recommendations**MAOF management:**

- 6. Ensure that bank reconciliations are prepared within 30 days of the bank statement date and reviewed by management for appropriateness and accuracy.**
- 7. Ensure that reconciling items are resolved timely and unclaimed checks cancelled periodically.**

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and other documentation to support 20 non-payroll expenditure transactions, totaling \$5,772 (74%) of \$7,830, billed by the Agency for November 2005.

Results

MAOF's expenditures were allowable, accurately billed to DCSS, and supported by documentation as required.

Recommendation

There are no recommendations for this section.

INTERNAL CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the Agency maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit, and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

MAOF's procurement policy requires price quotes for purchases over \$4,000. However, federal guidelines require a cost or price analysis for all purchases regardless of the unit cost and WIA guidelines require that three price quotes be documented for purchases over \$1,000.

In addition, MAOF was not in compliance with various County contract requirements. Specifically:

- MAOF did not always mark the invoices and other supporting documentation as "PAID."
- MAOF did not have a record retention policy in compliance with the County contract.

- MAOF did not have policies and procedures in place for monitoring the subcontractors.

Recommendations**MAOF management:**

8. Ensure that the Agency's procurement policies and procedures are in compliance with federal and WIA guidelines.
9. Ensure that invoices and other supporting documentation are marked "PAID."
10. Ensure that the Agency's record retention policy is in compliance with the County contract.
11. Establish monitoring policies and procedures to ensure that the subcontractors are in compliance with contract requirements.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether MAOF's fixed assets and equipment purchases made with WIA funds are used for the WIA programs and are safeguarded.

We did not perform test work in this section as MAOF did not use WIA funds to purchase fixed assets or equipment.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed payroll expenditures for two employees in November 2005, totaling \$4,304 (52%) to the payroll records and time reports. We also interviewed one employee, and reviewed the personnel files for two employees assigned to the WIA program.

Results

MAOF appropriately charged payroll expenses to the WIA programs. However, MAOF did not maintain copies of the employees' valid driver's licenses or proof of car insurance in the two (100%) personnel files. Subsequent to our review, MAOF provided copies of the employees' valid driver's licenses and proof of insurance for the two employees.

Recommendation

12. MAOF management ensure that required documentation is maintained in the personnel files.

COST ALLOCATION PLAN**Objective**

Determine whether MAOF's Cost Allocation Plan was prepared in compliance with the County contract and applied to program costs.

Verification

We reviewed MAOF's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency during November 2005 to ensure that the expenditures were properly allocated to the Agency's programs.

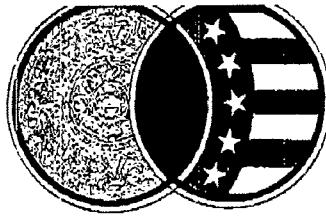
Results

MAOF's Cost Allocation Plan was prepared in compliance with the County contract and costs were appropriately allocated.

Recommendation

There are no recommendations for this section.

MEXICAN



AMERICAN OPPORTUNITY FOUNDATION

401 North Garfield Avenue • Montebello, CA 90640 • (323) 890-1600

*Celebrating 43 years of community services
1963 - 2006*

August 30, 2006

J. Tyler McCauley
Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Countywide Contract Monitoring Division
1000 S. Fremont Ave., Suite #51
Alhambra, CA 91803
Attention: Yoon Bae

Re: Final Report on Program Monitoring Review for FY 2005-2006, WIA

The Mexican American Opportunity Foundation (MAOF) agrees with the findings and recommendations found in the Final Report on Program Monitoring Review for the fiscal year ending June 30, 2006. MAOF will implement the recommendations of the Auditor-Controller found in the Final Report for the fiscal year ended June 30, 2006.

Thank you,

Miguel A. Perez,
Director of Finance

cc: Martin Castro, President/CEO, (MAOF)
Luis Gomez, Director of Operations, (MAOF)
Maricela Covarrubias, Program Manager, (MAOF)